



6560-50-P

ENVIRONMENTAL PROTECTION AGENCY

40 CFR Part 52

[EPA-R09-OAR-2017-0259; FRL-9966-89-Region 9]

Approval of California Air Plan Revisions, South Coast Air Quality Management District

AGENCY: Environmental Protection Agency (EPA).

ACTION: Final rule.

SUMMARY: The Environmental Protection Agency (EPA) is taking final action to approve revisions to the South Coast Air Quality Management District (SCAQMD or “District”) portion of the California State Implementation Plan (SIP). These revisions concern emissions of oxides of nitrogen (NO_x) and oxides of sulfur (SO_x) from facilities that emit four or more tons per year of NO_x or SO_x, which are regulated by SCAQMD’s Regional Clean Air Incentives Market (RECLAIM) program. We are approving revisions to local rules in the SIP that regulate these emission sources under the Clean Air Act (CAA or the Act).

DATES: This rule is effective on **[Insert date 30 days after the date of publication in the Federal Register]**.

ADDRESSES: The EPA has established a docket for this action under Docket ID No. EPA-R09-OAR-2017-0259. All documents in the docket are listed on the <http://www.regulations.gov> web site. Although listed in the index, some information is not publicly available, e.g., Confidential Business Information or other information whose disclosure is restricted by statute. Certain other material, such as copyrighted material, is not placed on the Internet and will be

publicly available only in hard copy form. Publicly available docket materials are available through <http://www.regulations.gov>, or please contact the person identified in the “**FOR FURTHER INFORMATION CONTACT**” section for additional availability information.

FOR FURTHER INFORMATION CONTACT: Nicole Law, EPA Region IX, (415) 947-4126, Law.Nicole@epa.gov.

SUPPLEMENTARY INFORMATION: Throughout this document, “we,” “us” and “our” refer to the EPA.

Table of Contents

- I. Proposed Action
- II. Public Comments and EPA Responses
- III. Final Action
- IV. Incorporation by Reference
- V. Statutory and Executive Order Reviews

I. Proposed Action

On June 6, 2017 (82 FR 25996), the EPA proposed to approve the following rules into the California SIP.

Local Agency	Rule #	Rule Title	Adopted/ Amended/ Revised	Submitted
SCAQMD	2001	Applicability	12/04/15	03/17/17
SCAQMD	2002	Allocations for NO _x and SO _x	10/07/16	03/17/17
SCAQMD	2005	New Source Review for Regional Clean Air Incentives Market	12/04/15	03/17/17

Local Agency	Rule #	Rule Title	Adopted/ Amended/ Revised	Submitted
SCAQMD	2011: Attachment C	Requirements for Monitoring, Reporting, and Recordkeeping for SO _x Emissions: Quality Assurance and Quality Control Procedures	12/04/15	03/17/17
SCAQMD	2011: Chapter 3	Requirements for Monitoring, Reporting, and Recordkeeping for SO _x Emissions: Process Units-Periodic Reporting and Rule 219 Equipment	12/04/15	03/17/17
SCAQMD	2012: Attachment C	Requirements for Monitoring, Reporting, and Recordkeeping for NO _x Emissions: Quality Assurance and Quality Control Procedures	12/04/15	03/17/17
SCAQMD	2012: Chapter 4	Requirements for Monitoring, Reporting, and Recordkeeping for NO _x Emissions: Process Units-Periodic Reporting and Rule 219 Equipment	12/04/15	03/17/17
SCAQMD	2011: Attachment E	Requirements for Monitoring, Reporting, and Recordkeeping for SO _x Emissions: Definitions	02/05/16	03/17/17
SCAQMD	2012: Attachment F	Requirements for Monitoring, Reporting, and Recordkeeping for NO _x Emissions: Definitions	02/05/16	03/17/17

We proposed to approve these rules for SIP strengthening purposes based on a determination that they satisfied the applicable CAA requirements. Our proposed action contains more information on the rules and our evaluation.

II. Public Comments and EPA Responses

The EPA's proposed action provided a 30-day public comment period. During this period, we received one comment letter dated July 6, 2017, from Adriano Martinez of Earthjustice, on behalf of the Sierra Club.

Several of Earthjustice's comments pertain to CAA requirements concerning reasonably available control technology (RACT). As we explained in our June 6, 2017 proposed rule, we are not reviewing the submitted rule revisions with respect to RACT requirements in this action.¹ Therefore, comments pertaining to whether the RECLAIM program, as revised in this action, meets substantive RACT requirements are not germane to this action. We note that the commenter submitted substantially identical comments on a separate proposed rule published June 15, 2017, in which the EPA proposed to determine that the revised RECLAIM regulations satisfy CAA requirements for ozone RACT SIPs in the South Coast ozone nonattainment area.² We intend to address Earthjustice's comments pertaining to RACT requirements as part of our final action on the separate South Coast ozone RACT SIP submission. Below we respond only to those comments that are germane to our June 6, 2017 proposal to approve these revisions to the RECLAIM rules into the California SIP.

Comment 1: Earthjustice asserts that the revised RECLAIM program does not properly address RECLAIM trading credits (RTCs) from facilities that have shut down. While acknowledging that the District has made some program amendments to prevent shutdown facility RTCs from flooding the RECLAIM market, Earthjustice claims that these amendments do not remedy the problem of NO_x credits from facilities or equipment that shut down prior to

¹ 82 FR 25996, 25998 (June 6, 2017).

² 82 FR 27451 (June 15, 2017).

2016. As an example, Earthjustice highlights the California Portland Cement facility, which was one of the largest NO_x emitters in the NO_x RECLAIM program until it closed down its cement kilns, releasing 2.5 tons per day of RTCs into the RECLAIM market. According to Earthjustice, these RTCs were largely purchased by oil refineries, which used the RTCs to avoid installing selective catalytic reduction and other readily available NO_x pollution controls. Earthjustice contends that the District's failure to remove these RTCs from the RECLAIM market is arbitrary and capricious and that, because of this deficiency, the NO_x RECLAIM program fails to satisfy both California's Best Available Retrofit Control Technology (BARCT) requirement and the CAA's RACT requirement.

Response 1: We disagree with the commenter's claim that the alleged deficiencies preclude approval of the revised RECLAIM rules into the SIP. As explained in our proposed rule, we have evaluated the revised rules for compliance with the applicable CAA requirements for enforceability, new source review, SIP revisions, and economic incentive programs.³ The commenter fails to identify any specific issue that precludes a finding that the revised RECLAIM regulations satisfy these requirements.

The commenter also fails to identify any statutory basis, other than the CAA RACT requirement, for its argument that the EPA cannot approve the revised RECLAIM rules. To the extent the commenter intended to argue that the alleged deficiencies in the revised RECLAIM program constitute RACT deficiencies under the CAA, those comments are outside the scope of this action for the reasons stated earlier in this preamble, and the EPA will respond to them as part of our final action on the SCAQMD's separate ozone RACT SIP submission. Comments

³ 82 FR 25996, 25998 (June 6, 2017).

regarding BARCT and command-and-control equivalence requirements under state law also are not germane to this action, as the CAA does not require the EPA to determine that the revised RECLAIM rules comply with state law BARCT requirements before approving these SIP revisions.

As we explained in our proposed rule and related technical support document (TSD), the revised RECLAIM program is projected to achieve significant environmental benefits compared to the version that the EPA previously approved into the SIP.⁴ For example, under the program as previously approved into the SIP, available RTCs from facilities that permanently shut down could be sold and reintroduced back into the RECLAIM program for use by other facilities, thereby delaying or eliminating the need for those other facilities to install pollution control equipment.⁵ Under the revised program, the owner or operator of a NO_x RECLAIM facility that shuts down or surrenders all operating permits for the facility must notify the District within 30 days and reduce its future NO_x RTC allocations after adjusting the RTCs in accordance with specific adjustment calculations.⁶ The revised RECLAIM program also lowers the NO_x RTC allocations for larger facilities⁷ and removes NO_x RTCs from facilities that exit the program.⁸

⁴ *Id.* and U.S. EPA, Region IX Air Division, “Technical Support Document for EPA’s Rulemaking for the California State Implementation Plan, South Coast Air Quality Management District Regional Clean Air Incentives Market Program Rules,” May 2017 (hereafter “RECLAIM TSD”), at 9, 10.

⁵ SCAQMD, Final Staff Report, Proposed Amendments to Regulation XX – Regional Clean Air Incentives Market, Proposed Amended Rule 2002 – Allocations for Oxides of Nitrogen (NO_x) and Oxides of Sulfur (SO_x), October 7, 2016 (hereafter “2016 RECLAIM Staff Report”) at 3.

⁶ SCAQMD Rule 2002 (as amended October 7, 2016), section (i). Rule 2002, as amended, provides limited exceptions from the requirement for shutdown facilities to surrender RTCs, *e.g.*, for facilities under the same ownership. SCAQMD Rule 2002 (as amended October 7, 2016), section (i)(13).

⁷ SCAQMD, Draft Final Staff Report, Proposed Amendments to Regulation XX Regional Clean Air Incentives Market (RECLAIM) NO_x RECLAIM, December 4, 2015, at 5.

⁸ SCAQMD Rule 2001 (as amended December 4, 2015), section (g)(2). Rule 2001, as amended, allows owners or operators of electric generating facilities to exit the RECLAIM program provided the facility meets Best Available Control Technology (BACT) or Best Available Retrofit Control Technology (BARCT) requirements and retires its

These revisions to the RECLAIM program are projected to reduce NO_x emissions by 12 tons per day by 2023.⁹ These program revisions require NO_x RECLAIM facilities to reduce NO_x emissions by installing additional pollution control equipment and thus do not interfere with the ongoing process for ensuring that requirements for reasonable further progress (RFP) and attainment of the National Ambient Air Quality Standards are met, or interfere with any other CAA requirement. The revisions therefore satisfy the requirements for SIP revisions in CAA section 110(l). Again, we are not evaluating whether the revised RECLAIM rules meet RACT requirements for NO_x in this action.

Earthjustice's stated concern about "the problem of NO_x credits from facilities or equipment that shut down prior to 2016" appears to be in reference to section (i)(1) of Rule 2002, as amended, which states that the requirements specified in that section are effective October 7, 2016, the date of their adoption by the SCAQMD. As the District explained in its staff report, the new shutdown provisions in section (i) of amended Rule 2002 will not be applied retroactively to facility shutdowns that occurred prior to the adoption date of the amended rule.¹⁰ We do not see a basis for disapproving Rule 2002 because its provisions are not applied retroactively.

Comment 2: Citing section 110(a)(2)(E) of the CAA, Earthjustice asserts that the EPA can approve a SIP revision only if it determines that the provision is not inconsistent with state law. Earthjustice contends that the revised RECLAIM rules violate California law because they are not equivalent to BARCT and are not equivalent to command-and-control regulations, as

NO_x RTCs from the RECLAIM market. *Id.*

⁹ RECLAIM TSD at 9; *see also* SCAQMD, Summary Minutes of the Board of the South Coast Air Quality Management District, December 4, 2015, at 15.

¹⁰ 2016 RECLAIM Staff Report at 9.

required by California's Health and Safety Code. Earthjustice contends that the EPA therefore cannot make the determination required in section 110 of the Act that the approval not interfere with compliance with state law.

Response 2: We disagree with the commenter's claim that we must determine under CAA section 110 that a SIP revision is not inconsistent with state law BARCT requirements, or that the approval would not interfere with compliance with state law BARCT requirements, before we approve the revision. To approve a SIP revision, the EPA must determine that the SIP revision is supported by necessary assurances that the state or relevant local or regional agency has adequate legal authority under state and local law to carry out its provisions and that the agency is not prohibited by any provision of federal or state law from carrying out such SIP or portion thereof.¹¹ In addition, the EPA must not approve any SIP revision that would interfere with any applicable requirement concerning attainment and RFP, or any other applicable requirement of the CAA.¹²

Alleged inconsistency with state law is relevant to the EPA in the context of our SIP review if it undermines the legal authority by the state or relevant local or regional agency to carry out the SIP, but alleged interference with compliance with state law requirements generally is not a bar to EPA approval. The EPA evaluates compliance with federal law (specifically, the CAA), not state law. California Air Resources Board (CARB) has provided the EPA with the necessary assurances that the District has the legal authority to carry out the revised RECLAIM

¹¹ CAA section 110(a)(2)(E).

¹² CAA section 110(l).

rules.¹³ Therefore, we find that the revised RECLAIM rules satisfy the requirements of CAA section 110(a)(2)(E). We explained in Response 1, above, our reasons for concluding that the revised RECLAIM rules satisfy the requirements for SIP revisions in CAA section 110(l).

For the reasons provided in our proposed rule and explained further above, we conclude that the revised RECLAIM regulations satisfy the applicable CAA requirements for SIP revisions.

III. Final Action

No comments were submitted that change our assessment of the revised RECLAIM rules as described in our proposed action. Therefore, under section 110(k)(3) of the Act, the EPA is fully approving these revised rules into the California SIP.

IV. Incorporation by Reference

In this rule, the EPA is finalizing regulatory text that includes incorporation by reference. In accordance with requirements of 1 CFR 51.5, the EPA is finalizing the incorporation by reference of the SCAQMD rules described in the amendments to 40 CFR part 52 set forth below. The EPA has made, and will continue to make, these documents available through www.regulations.gov and at the EPA Region IX Office (please contact the person identified in the “**FOR FURTHER INFORMATION CONTACT**” section of this preamble for more information).

V. Statutory and Executive Order Reviews

¹³ See CARB Executive Order S-17-002 (dated March 6, 2017) adopting the amended RECLAIM rules as a revision to the California SIP. The Executive Order states that the District is authorized by California Health and Safety Code (H&SC) section 40001 to adopt and enforce the rules identified in Enclosure A (i.e., the amended RECLAIM rules).

Under the Clean Air Act, the Administrator is required to approve a SIP submission that complies with the provisions of the Act and applicable federal regulations. 42 U.S.C. 7410(k); 40 CFR 52.02(a). Thus, in reviewing SIP submissions, the EPA's role is to approve state choices, provided that they meet the criteria of the Clean Air Act. Accordingly, this action merely approves state law as meeting federal requirements and does not impose additional requirements beyond those imposed by state law. For that reason, this action:

- is not a significant regulatory action subject to review by the Office of Management and Budget under Executive Orders 12866 (58 FR 51735, October 4, 1993) and 13563 (76 FR 3821, January 21, 2011);
- does not impose an information collection burden under the provisions of the Paperwork Reduction Act (44 U.S.C. 3501 et seq.);
- is certified as not having a significant economic impact on a substantial number of small entities under the Regulatory Flexibility Act (5 U.S.C. 601 et seq.);
- does not contain any unfunded mandate or significantly or uniquely affect small governments, as described in the Unfunded Mandates Reform Act of 1995 (Public Law 104-4);
- does not have Federalism implications as specified in Executive Order 13132 (64 FR 43255, August 10, 1999);
- is not an economically significant regulatory action based on health or safety risks subject to Executive Order 13045 (62 FR 19885, April 23, 1997);
- is not a significant regulatory action subject to Executive Order 13211 (66 FR 28355, May 22, 2001);

- is not subject to requirements of Section 12(d) of the National Technology Transfer and Advancement Act of 1995 (15 U.S.C. 272 note) because application of those requirements would be inconsistent with the Clean Air Act; and
- does not provide the EPA with the discretionary authority to address, as appropriate, disproportionate human health or environmental effects, using practicable and legally permissible methods, under Executive Order 12898 (59 FR 7629, February 16, 1994).

In addition, the SIP is not approved to apply on any Indian reservation land or in any other area where the EPA or an Indian tribe has demonstrated that a tribe has jurisdiction. In those areas of Indian country, the rule does not have tribal implications and will not impose substantial direct costs on tribal governments or preempt tribal law as specified by Executive Order 13175 (65 FR 67249, November 9, 2000).

The Congressional Review Act, 5 U.S.C. section 801 et seq., as added by the Small Business Regulatory Enforcement Fairness Act of 1996, generally provides that before a rule may take effect, the agency promulgating the rule must submit a rule report, which includes a copy of the rule, to each House of the Congress and to the Comptroller General of the United States. The EPA will submit a report containing this action and other required information to the U.S. Senate, the U.S. House of Representatives, and the Comptroller General of the United States prior to publication of the rule in the **Federal Register**. A major rule cannot take effect until 60 days after it is published in the **Federal Register**. This action is not a “major rule” as defined by 5 U.S.C. 804(2).

Under section 307(b)(1) of the Clean Air Act, petitions for judicial review of this action must be filed in the United States Court of Appeals for the appropriate circuit by **[Insert date 60**

days after date of publication in the Federal Register]. Filing a petition for reconsideration by the Administrator of this final rule does not affect the finality of this action for the purposes of judicial review nor does it extend the time within which a petition for judicial review may be filed, and shall not postpone the effectiveness of such rule or action. This action may not be challenged later in proceedings to enforce its requirements (see section 307(b)(2)).

List of Subjects in 40 CFR Part 52

Environmental protection, Air pollution control, Incorporation by reference, Intergovernmental relations, Nitrogen dioxide, Ozone, Particulate matter, Reporting and recordkeeping requirements, Sulfur Oxides.

Dated: August 15, 2017.

Alexis Strauss,
Acting Regional Administrator,
Region IX.

Part 52, Chapter I, Title 40 of the Code of Federal Regulations is amended as follows:

PART 52 - APPROVAL AND PROMULGATION OF IMPLEMENTATION PLANS

1. The authority citation for Part 52 continues to read as follows:

AUTHORITY: 42 U.S.C. 7401 *et seq.*

Subpart F – California

2. Section 52.220 is amended by adding paragraphs (c)(337)(i)(C)(2) through (Z), (c)(342)(i)(C)(5), (c)(388)(i)(A)(6), (c)(404)(i)(A)(5), and (c)(491) to read as follows:

§52.220 Identification of plan-in part.

*		*		*		*		*
(c)	*	*	*					
(337)	*	*	*					
(i)	*	*	*					
(C)	*	*	*					

(2) Previously approved on August 29, 2006, in paragraph (c)(337)(i)(C)(1) of this section and now deleted with replacement in (c)(491)(i)(A)(4), Rule 2011: Attachment C, “Requirements for Monitoring, Reporting, and Recordkeeping for SO_x Emissions: Quality Assurance and Quality Control Procedures,” amended on December 4, 2015.

(3) Previously approved on August 29, 2006, in paragraph (c)(337)(i)(C)(1) of this section and now deleted with replacement in (c)(491)(i)(A)(5), Rule 2011: Chapter 3, “Requirements for Monitoring, Reporting, and Recordkeeping for SO_x Emissions: Process Units- Periodic Reporting and Rule 219 Equipment,” amended on December 4, 2015.

(4) Previously approved on August 29, 2006, in paragraph (c)(337)(i)(C)(L) of this section and now deleted with replacement in (c)(491)(i)(A)(6), Rule 2012: Attachment C, “Requirements for Monitoring, Reporting, and Recordkeeping for NO_x Emissions: Quality Assurance and Quality Control Procedures,” amended on December 4, 2015.

(5) Previously approved on August 29, 2006, in paragraph (c)(337)(i)(C)(L) of this section and now deleted with replacement in (c)(491)(i)(A)(Z), Rule 2012: Chapter 4, “Requirements for Monitoring, Reporting, and Recordkeeping for NO_x Emissions: Process Units- Periodic Reporting and Rule 219 Equipment,” amended on December 4, 2015.

(6) Previously approved on August 29, 2006, in paragraph (c)(337)(i)(C)(L) of this section and now deleted with replacement in (c)(491)(i)(A)(8), Rule 2011: Attachment E, “Requirements for Monitoring, Reporting, and Recordkeeping for SO_x Emissions: Definitions,” amended on February 5, 2016.

(Z) Previously approved on August 29, 2006, in paragraph (c)(337)(i)(C)(L) of this section and now deleted with replacement in (c)(491)(i)(A)(9), Rule 2012: Attachment F, “Requirements for Monitoring, Reporting, and Recordkeeping for NO_x Emissions: Definitions,” amended on February 5, 2016.

	*	*	*	*	*
(342)	*	*	*		
(i)	*	*	*		
(C)	*	*	*		

(5) Previously approved on August 29, 2006 in paragraph (c)(342)(i)(C)(2) of this section and now deleted with replacement in (c)(491)(i)(A)(1), Rule 2001, “Applicability,” amended on December 4, 2015.

* * * * *

(388) * * *

(i) * * *

(A) * * *

(6) Previously approved on August 12, 2011 in paragraph (c)(388)(i)(A)(4) of this section and now deleted with replacement in (c)(491)(i)(A)(2), Rule 2002, “Allocations for NOx & SOx,” amended on October 7, 2016.

* * * * *

(404) * * *

(i) * * *

(A) * * *

(5) Previously approved on December 20, 2011 in paragraph (c)(404)(i)(A)(1) of this section and now deleted with replacement in (c)(491)(i)(A)(3), Rule 2005, “New Source Review for Regional Clean Air Incentives Market,” amended on December 4, 2015.

* * * * *

(491) Amended regulations for the following APCDs were submitted on March 17, 2017 by the Governor’s designee.

(i) Incorporation by reference.

(A) South Coast Air Quality Management District

(1) Rule 2001, “Applicability,” amended on December 4, 2015.

(2) Rule 2002, “Allocations for Oxides of Nitrogen (NO_x) and Oxides of Sulfur (SO_x),”
amended on October 7, 2016.

(3) Rule 2005, “New Source Review for RECLAIM,” amended on December 4, 2015.

(4) Protocol for Rule 2011: Attachment C, “Quality Assurance and Quality Control Procedures,”
amended on December 4, 2015.

(5) Protocol for Rule 2011: Chapter 3, “Process Units - Periodic Reporting,” amended on December
4, 2015.

(6) Protocol for Rule 2012: Attachment C, “Quality Assurance and Quality Control Procedures,”
amended on December 4, 2015.

(7) Protocol for Rule 2012: Chapter 4, “Process Units Periodic Reporting and Rule 219 Equipment,”
amended on December 4, 2015.

(8) Protocol for Rule 2011: Attachment E, “Definitions,” amended on February 5, 2016.

(9) Protocol for Rule 2012: Attachment F, “Definitions,” amended on February 5, 2016.